

CITY OF ALTOONA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2013

CITY OF ALTOONA

Table of Contents

Officials.	3
Independent Auditor's Report.	5-6
Management's Discussion and Analysis.	7 -13
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A. 16-17
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances.	B. 18-19
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position.	C. 20
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D. 22-23
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Position.	E. 24
Notes to Financial Statements.	25-38
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds.	40-41
Notes to Other Information - Budgetary Reporting.	42
Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds.	1. 44-45
Schedule of Indebtedness.	2. 46-47
Bond Maturities.	3. 48-53
Schedule of Receipts/Proceeds by Source and Disbursements All Governmental and Proprietary Funds.	4. 54-55
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57-58
Schedule of Findings.	59-61

CITY OF ALTOONA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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(Before January 1, 2013)

J. M. Skip Conkling.....	Mayor.	Jan 2016
Joe Riding.	Mayor Pro-Tem	Resigned Jan 2013
Michelle Sloan.....	Council Member.	Jan 2014
Kyle Merts.	Council Member.	Jan 2014
Mike Hermeyer.	Council Member.	Jan 2016
Dean O’Conner.	Council Member.	Jan 2016
Jeffery Mark.....	City Administrator.....	Jun 2014
Randy Pierce.	Clerk/Finance Officer.	Jan 2013
Robert Laden.	Attorney.....	Jan 2013

(After January 1, 2013)

J. M. Skip Conkling.....	Mayor.	Jan 2016
Michelle Sloan.....	Mayor Pro-Tem.....	Jan 2014
Gerald Nolin.....	Council Member.	Jan 2014
Mike Hermeyer.	Council Member.	Jan 2016
Dean O’Conner.	Council Member.	Jan 2016
Kyle Mertz.....	Council Member.	Jan 2014
Jeffery Mark.....	City Administrator.....	Jun 2014
Randy Pierce.	Clerk/Finance Officer.	Jan 2014
Robert Laden.	Attorney.....	Jan 2014

City of Altoona



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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West Des Moines, Iowa 50266

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona as of June 30, 2013, and the respective changes in the cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Altoona's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements

The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 40 through 42 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2013 on our consideration of the City of Altoona's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Altoona's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
October 24, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Altoona provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 32.3%, or approximately \$7,052,000 from fiscal year 2012 to fiscal year 2013. Tax increment financing collections decreased approximately \$977,000 and bond proceeds increased by approximately \$7,928,000.
- Disbursements of the City's governmental activities increased 6.0%, or approximately \$1,522,000, from fiscal year 2012 to fiscal year 2013. Capital projects decreased approximately \$647,000. Debt service increased approximately \$1,384,000.
- The City's total cash basis net position increased 3.8% or approximately \$1,096,000 from fiscal year 2012 to fiscal year 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$2,415,000 and the cash basis net position of the business type activities decreased approximately \$1,319,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a cash basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes, grants and bond proceeds finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and garbage and recycling collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund and 4) the Capital Projects Fund. The government fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the water, water deposits, sewer, garbage, storm water and recycling funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has increased from a year ago, increasing from approximately \$15.154 million to approximately \$17.568 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 1,121	\$ 1,084
Operating grants, contributions and restricted interest	1,667	1,537
Capital grants, contributions and restricted interest	115	146
General receipts:		
Property tax	14,124	14,874
Other City taxes	830	585
Grants and contributions not restricted to specific purposes	1,924	2,513
Unrestricted interest on investments	65	49
Bond proceeds	8,953	1,025
Other general receipts	82	16
Total receipts	<u>28,881</u>	<u>21,829</u>
Disbursements:		
Public safety	4,831	5,579
Public works	1,612	1,626
Health and social services	1	23
Culture and recreation	2,031	1,479
Community and economic development	4,430	3,511
General government	1,120	1,022
Debt service	12,404	11,020
Capital projects	582	1,229
Total disbursements	<u>27,011</u>	<u>25,489</u>
Change in cash basis net position before transfers	1,870	(3,660)
Transfers, net	<u>546</u>	<u>3,147</u>
Change in cash basis net position	2,416	(513)
Cash basis net position beginning of year	<u>15,154</u>	<u>15,667</u>
Cash basis net position end of year	<u>\$ 17,570</u>	<u>\$ 15,154</u>

The City's total receipts for governmental activities increased by 32.3 percent or approximately \$7.052 million. The total cost of all programs and services increased approximately \$1.522 million or 6.0 percent primarily due to a increase in Debt Service payments. The increase in receipts was primarily the result of increased amounts of new bond issues.

Based on increases in the total assessed valuation, property tax receipts are budgeted to increase by an additional \$69,658 next year or 0.49%.

The cost of all governmental activities this year was \$27.011 million compared to \$25.489 million last year. However, as shown in the statement of activities and net assets - cash basis on pages 16-17, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$24.108 million because some of the cost was paid by those directly benefitted from the programs (\$1.121 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.782 million). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2013 from approximately \$2.767 million to approximately \$2.903 million principally due to an increase in operating grants. The City paid for the remaining public benefit portion of governmental activities with approximately \$14.124 million in tax (some of which could only be used for certain programs), bond proceeds of \$8.953 million and other receipts, such as interest, and general receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 3,914	\$ 3,987
Sewer	3,706	3,637
Water deposits	56	41
Garbage	504	484
Recycling	154	148
Storm water	564	483
General receipts:		
Unrestricted interest on investments	7	13
Bond proceeds	-	3,910
Other general receipts	95	129
Total receipts	<u>9,000</u>	<u>12,832</u>
Disbursements:		
Water	6,195	3,710
Sewer	2,238	3,472
Garbage	477	436
Water deposits	43	40
Storm water	668	61
Recycling	152	143
Total disbursements	<u>9,773</u>	<u>7,862</u>
Change in cash basis net position before transfers	(773)	4,970
Transfers, net	<u>(546)</u>	<u>(3,147)</u>
Change in cash basis net position	(1,319)	1,823
Cash basis net position beginning of year	<u>13,640</u>	<u>11,817</u>
Cash basis net position end of year	<u>\$ 12,321</u>	<u>\$ 13,640</u>

Total business type activities receipts for the fiscal year were \$9 million compared to \$12.832 million last year. This decrease was due primarily to the decrease in bond proceeds. The cash balance decreased by approximately \$1.319 million from the prior year. Total disbursements for the fiscal year increased by approximately 24.3 percent to a total of \$9.773 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Altoona completed the year, its governmental funds reported a combined fund balance of \$17.638 million, an increase of approximately \$2,520,000 above last year's total of \$15.118 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$528,000 from the prior year to \$3,446,000. This was primarily because property tax receipts increased by approximately \$264,000 and hotel/motel tax increased \$245,000.
- The Road Use Tax Fund cash balance decreased by approximately \$19,000 to approximately \$122,000 during the fiscal year. This decrease was attributable to increased disbursements in street construction and repairs of \$140,000.
- The Tax Increment Financing Fund decreased by approximately \$1,673,000 to approximately \$4,331,000 during the fiscal year. The decrease is primarily the result of a decrease of \$500,000 in the Prairie Meadows grant, decrease of approximately \$976,000 in TIF collections and an increase of approximately \$1,277,000 in TIF economic development rebates.
- The Capital Projects Fund decreased approximately \$582,000 to approximately \$684,000. Due primarily to the continued construction of the recreation complex.
- The Debt Service Fund cash balance increased by approximately \$4,178,000 to approximately \$8,841,000 during the fiscal year. The increase was due to an increase in bond proceeds and premium.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by approximately \$2,262,000 to approximately \$5,283,000, due primarily to an increase in debt service payments.
- The Sewer Fund cash balance increased by approximately \$1,007,000 to approximately \$6,420,000, due primarily to a decrease in spending on capital projects.
- The Water Deposit Fund increased approximately \$13,000 to approximately \$103,000.
- The Garbage Fund increased approximately \$27,000 to approximately \$154,000 due to an increase in charges for service.
- The Recycling Fund increased approximately \$2,000 to approximately \$46,000. This is due to the increased recycling fees.
- The Storm Water Utility Fund decreased approximately \$104,000 to approximately \$234,000 due to an increase in operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its operating budget once. The amendment was approved on May 20, 2013 to provide for additional expenditures in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$943,812 more than budgeted. This was primarily due to the City receiving more property tax, licenses and permits, and charges for service than budgeted.

Total disbursements were \$3,996,400 less than the amended budget. This was primarily due to business -type activities disbursements being less in the fiscal year than originally anticipated. Capital projects were significantly less than in prior years.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$97,506,000 in bonds and other long-term debt compared to \$101,714,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	June 30	
	2013	2012
General obligation bonds	\$ 37,165	\$ 36,240
Revenue bonds	60,120	65,185
Fire truck capital lease	221	289
	<u>\$ 97,506</u>	<u>\$ 101,714</u>

The City's general obligation bond rating continues to carry an Aa3 rating, a rating that has been assigned by national rating agencies to the City's debt since 1997. The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$40.447 million plus the portion of developer rebate agreements of \$1.342 million that are subject to the debt limit are well below the City's \$58.706 million legal debt limit.

Debt remained decreased with payments on existing bond issues exceeding new bond issue proceeds.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the 2014 fiscal year budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy. The City's population growth since the 2000 census stands at 29%. Unemployment in the county now stands at 4.8 percent. This compares with the state unemployment rate of 4.8 percent.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2012 was 228.723. For the 12 month period that ended in July, 2013 the CPI-U increased 1.90 percent.

These indicators were taken into account when adopting the budget for 2014. Amounts available for appropriation in the budget are \$.7 million, an increase of 4.68 percent over the final 2013 budget. Property tax (benefitting from increases in valuation) and proceeds from the tax increment financing revenue are expected to lead this increase. The City will use these to finance programs currently offered and to defray the costs of carrying out the City's continued economic development. Budgeted disbursements are expected to increase by approximately \$1.0 million. An increase in capital projects represents the largest increase.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$4.3 million by the close of fiscal year 2014. Most of this is from projects carried over from the prior year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Randy Pierce, City Clerk/Finance Officer, 407 8th Street S.E., P.O. Box 338, Altoona, Iowa 50009.

City of Altoona

Basic Financial Statements

CITY OF ALTOONA

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 4,830,592	\$ 938,477	\$ 1,490	\$ -
Public works	1,612,558	-	1,392,532	-
Health and social services	1,214	-	-	-
Culture and recreation	2,030,756	-	249,711	-
Community and economic development	4,429,525	24,233	-	-
General government	1,120,407	158,726	3,146	-
Debt service	12,403,506	-	20,389	-
Capital projects	582,340	-	-	114,660
Total governmental activities	<u>27,010,898</u>	<u>1,121,436</u>	<u>1,667,268</u>	<u>114,660</u>
Business type activities:				
Water	6,194,690	3,914,477	-	-
Sewer	2,238,223	3,705,833	-	-
Garbage	476,961	503,795	-	-
Water deposits	42,626	56,000	-	-
Storm water	668,096	564,480	-	-
Recycling	151,559	153,792	-	-
Total business type activities	<u>9,772,155</u>	<u>8,898,377</u>	<u>-</u>	<u>-</u>
Total	<u>\$36,783,053</u>	<u>\$10,019,813</u>	<u>\$1,667,268</u>	<u>\$114,660</u>

General receipts and transfers:

Property and other city tax levied for:

- General purposes
- Employee benefits
- Debt service
- Tax increment financing
- Hotel/motel tax
- Grants and contributions not restricted to specific purpose
- Unrestricted interest on investments
- Bond proceeds and premium
- Miscellaneous
- Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

- Debt service
- Streets
- Urban renewal
- Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (3,890,625)	\$ -	\$ (3,890,625)
(220,026)	-	(220,026)
(1,214)	-	(1,214)
(1,781,045)	-	(1,781,045)
(4,405,292)	-	(4,405,292)
(958,535)	-	(958,535)
(12,383,117)	-	(12,383,117)
(467,680)	-	(467,680)
(24,107,534)	-	(24,107,534)
-	(2,280,213)	(2,280,213)
-	1,467,610	1,467,610
-	26,834	26,834
-	13,374	13,374
-	(103,616)	(103,616)
-	2,233	2,233
-	(873,778)	(873,778)
(24,107,534)	(873,778)	(24,981,312)
4,604,654	-	4,604,654
342,811	-	342,811
300,759	-	300,759
8,875,295	-	8,875,295
830,445	-	830,445
1,923,502	-	1,923,502
65,057	6,925	71,982
8,953,387	-	8,953,387
80,452	94,523	174,975
546,259	(546,259)	-
26,522,621	(444,811)	26,077,810
2,415,087	(1,318,589)	1,096,498
15,154,717	13,640,079	28,794,796
\$ 17,569,804	\$ 12,321,490	\$ 29,891,294
\$ 8,840,559	\$ 1,639,863	\$ 10,480,672
554,501	-	554,501
4,330,990	-	4,330,990
189,161	-	189,161
3,654,343	10,681,627	14,335,970
\$17,569,804	\$12,321,490	\$ 29,891,294

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2013

		Special Revenue		Capital
	General	Road Use Tax	Tax Increment Financing	Streets
Receipts:				
Property tax	\$4,604,654	\$ -	\$ -	\$ -
Tax increment financing	-	-	8,875,295	-
Other City tax: hotel/motel	830,445	-	-	-
Lottery revenue	923,502	-	-	-
Licenses and permits	635,189	-	-	-
Uses of money and property	41,593	-	3,145	-
Intergovernmental	370,662	1,392,532	-	-
Prairie Meadows grant	-	-	1,000,000	-
Charges for service	486,247	-	-	-
Miscellaneous	82,415	-	213,272	-
Total receipts	7,974,707	1,392,532	10,091,712	-
Disbursements:				
Operating:				
Public safety	4,582,972	-	-	-
Public works	-	1,411,217	-	-
Health and social services	1,214	-	-	-
Culture and recreation	1,895,654	-	-	-
Community and economic development	383,283	-	3,929,778	-
General government	1,104,130	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	114,265
Total disbursements	7,967,253	1,411,217	3,929,778	114,265
Excess (deficiency) of receipts over (under) disbursements	7,454	(18,685)	6,161,934	(114,265)
Other financing sources (uses):				
Bond proceeds	-	-	4,585,000	-
Bond premium	-	-	213,853	-
Operating transfers in	745,426	-	-	-
Operating transfers out	(225,000)	-	(12,633,596)	-
Total other financing sources (uses)	520,426	-	(7,834,743)	-
Change in cash balances	527,880	(18,685)	(1,672,809)	(114,265)
Cash balances beginning of year	2,918,474	140,704	6,003,799	546,747
Cash balances end of year	\$3,446,354	\$122,019	\$ 4,330,990	\$432,482
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	\$ -	\$ -	\$ -
Urban renewal projects	-	-	4,330,990	-
Streets	-	122,019	-	432,482
Other purposes	-	-	-	-
Capital project funds	-	-	-	-
Unassigned	3,446,354	-	-	-
Total cash basis fund balances	\$3,446,354	\$122,019	\$ 4,330,990	\$432,482

See notes to financial statements.

Projects		Debt Service			
Recreation Complex	Bass Pro Shop Reserve	Debt Service	Nonmajor	Total	
\$ -	\$ -	\$ 300,759	\$ 342,811	\$ 5,248,224	
-	-	-	-	8,875,295	
-	-	-	-	830,445	
-	-	-	-	923,502	
-	-	-	-	635,189	
-	11,094	9,225	-	65,057	
-	-	-	28,804	1,791,998	
-	-	-	-	1,000,000	
-	-	-	-	486,247	
-	-	-	116,130	411,817	
-	11,094	309,984	487,745	20,267,774	
-	-	-	149,056	4,732,028	
-	-	-	-	1,411,217	
-	-	-	-	1,214	
-	-	-	100,000	1,995,654	
-	-	-	116,464	4,429,525	
-	-	-	16,277	1,120,407	
-	-	12,703,506	-	12,703,506	
468,075	-	-	-	582,340	
468,075	-	12,703,506	381,797	26,975,891	
(468,075)	11,094	(12,393,522)	105,948	(6,708,117)	
-	-	3,945,000	-	8,530,000	
-	-	209,534	-	423,387	
-	-	12,405,684	-	13,151,110	
-	-	-	(17,598)	(12,876,194)	
-	-	16,560,218	(17,598)	9,228,303	
(468,075)	11,094	4,166,696	88,350	2,520,186	
719,708	4,407,073	255,696	125,910	15,118,111	
\$ 251,633	\$ 4,418,167	\$ 4,422,392	\$214,260	\$ 17,638,297	
\$ -	\$ 4,418,167	\$4,422,392	\$ -	\$ 8,840,559	
-	-	-	-	4,330,990	
-	-	-	-	554,501	
-	-	-	189,161	189,161	
251,633	-	-	25,099	276,732	
-	-	-	-	3,446,354	
\$ 251,633	\$ 4,418,167	\$4,422,392	\$214,260	\$ 17,638,297	

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts,
Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2013

Total governmental funds cash balances (pages 18-19) \$ 17,638,297

***Amounts reported for governmental activities in the Statement of Activities
and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the assets of the Internal Service Fund are included in governmental activities in the Statement of Activities and Net Position.

(68,493)

Cash basis net position of governmental activities (pages 16-17) \$ 17,569,804

Net change in cash balances (pages 18-19) 2,520,186

***Amounts reported for governmental activities in the Statement of Activities
and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of equipment replacement to individual funds. A portion of the change in net position of the Internal Service Fund is reported with government activities.

(105,099)

Change in cash basis net position of governmental activities (pages 16-17) \$ 2,415,087

See notes to financial statements.

City of Altoona

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances *Proprietary Funds*

As of and for the year ended June 30, 2013

	Enterprise Funds			
	Water	Sewer	Water Deposits	Garbage
Operating receipts:				
Charges for service	\$3,914,477	\$3,705,833	\$56,000	\$503,795
Total operating receipts	3,914,477	3,705,833	56,000	503,795
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Business type activities:	1,191,827	2,012,951	42,626	476,961
Total operating disbursements	1,191,827	2,012,951	42,626	476,961
Excess (deficiency) of operating receipts over (under) operating disbursements	2,722,650	1,692,882	13,374	26,834
Non-operating receipts (disbursements):				
Interest on investments	4,061	2,864	-	-
Miscellaneous	77,340	5,840	-	-
Debt service	(4,842,547)	(136,600)	-	-
Capital projects	(160,316)	(86,218)	-	-
Net non-operating receipts (disbursements)	(4,921,462)	(214,114)	-	-
Excess (deficiency) of receipts over (under) disbursements	(2,198,812)	1,478,768	13,374	26,834
Transfers:				
Operating transfers in	227,912	-	-	-
Operating transfers (out)	(291,131)	(471,697)	-	-
Net transfers	(63,219)	(471,697)	-	-
Change in cash balances	(2,262,031)	1,007,071	13,374	26,834
Cash balances beginning of year	7,545,162	5,412,597	90,094	127,459
Cash balances end of year	\$5,283,131	\$6,419,668	\$103,468	\$154,293
Cash Basis Fund Balances				
Restricted for debt service	\$1,086,164	\$ 554,949	\$ -	\$ -
Unrestricted	4,196,967	5,864,719	103,468	154,293
Total cash basis fund balances	\$5,283,131	\$6,419,668	\$103,468	\$154,293

See notes to financial statements.

			Internal Service Fund
			Equipment Replacement
Storm Water	Recycling	Total	
\$ 564,480	\$ 153,792	\$8,898,377	\$ -
564,480	153,792	8,898,377	-
-	-	-	98,564
-	-	-	201,341
-	-	-	35,102
668,096	151,559	4,544,020	32,546
668,096	151,559	4,544,020	367,553
(103,616)	2,233	4,354,357	(367,553)
-	-	6,925	-
-	-	83,180	-
-	-	(4,979,147)	-
-	-	(246,534)	-
-	-	(5,135,576)	-
(103,616)	2,233	(781,219)	(367,553)
-	-	227,912	260,000
-	-	(762,828)	-
-	-	(534,916)	260,000
(103,616)	2,233	(1,316,135)	(107,553)
337,521	43,325	13,556,158	120,527
\$ 233,905	\$ 45,558	\$12,240,023	\$ 12,974
\$ -	\$ -	\$ 1,641,113	\$ -
233,905	45,558	10,598,910	12,974
\$ 233,905	\$ 45,558	\$12,240,023	\$ 12,974

CITY OF ALTOONA

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2013

Total enterprise funds cash balances (pages 22-23) \$12,240,023

***Amounts reported for business type activities in the Statement of
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's equipment purchases to individual funds. A portion of the assets of the Internal Service Fund are included in business type activities in the Statement of Activities and Net Position.

81,467

Cash basis net position of business type activities (pages 16-17)

\$12,321,490

Net change in cash balances (pages 22-23)

(\$ 1,316,135)

***Amounts reported for business type activities in the Statement of
Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of partial self funding of the equipment purchases to individual funds. A portion of the change in net position of the Internal Service Fund is reported with business type activities.

(2,454)

Change in cash balance of business type activities (pages 16-17)

(\$1,318,589)

See notes to financial statements.

CITY OF ALTOONA

Notes to Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Altoona is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, garbage, storm water, and recycling utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Altoona has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Altoona has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations & 28E Agreements

The City also participates in several 28E and jointly governed organizations that provide goods or services to the citizenry of the City but do not meet criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of 28E organizations and of the following boards and commissions; The Safety Coalition of Central Iowa Communities, Polk County Aviation Authority, HAZ-MAT Services, building inspection for the Cities of Mitchellville, Iowa and Bondurant, Iowa, Urban Standard Specifications, Snow Removal for various locations, Convention and Visitors Bureau, Des Moines Water Works, Iowa Tobacco Enforcement Compliance, Homeland Security Services, BRAVO, Polk County MTA, Metro Area Fire Mutual Aid, Metro Home Improvement Program, Suburban Emergency Response Team, Urban Design Standards, Central Iowa Traffic Safety Task Force, Polk County Emergency Management Commission, Polk County Assessor's Conference Board, Principal Park, Iowa DOT, SEP School District, Intergovernmental Metro Design Policy, Metro Solid Waste, and Fair Play Agreement.

Joint Ventures

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as a result of an agreement between the City of Des Moines and surrounding municipalities. (See Note 4)

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net assets that do not meet the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Water Deposits Fund accounts for water utility deposits by residents.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's residential garbage collection system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water systems.

The Enterprise, Recycling Fund accounts for the operation and maintenance of the City's residential garbage and yard waste recycling system.

The City also reports the following additional proprietary fund:

The equipment replacement fund is an Internal Service Fund utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting - Continued

statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances can be classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Property Taxes

All City property taxes must be certified to the Polk County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Property Taxes - Continued

Property taxes levied for the year ending June 30, 2013, attached as an enforceable lien on July 1, 2012, with the first half installment being delinquent after September 30, 2012 and the second half installment being delinquent after March 31, 2013.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2013, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury bill	\$ 499,772	\$ 499,772	July 11, 2013
U.S. Treasury bill	499,751	499,751	Sept 05, 2013
U.S. Treasury bill	1,499,252	1,499,252	Sept 26, 2013
U.S. Treasury bill	5,198,024	5,198,024	Oct 03, 2013
U.S. Treasury bill	5,497,498	5,497,498	Oct 10, 2013
U.S. Treasury bill	1,999,292	1,999,292	Oct 24, 2013
U.S. Treasury bill	1,599,515	1,599,515	Nov 07, 2013
U.S. Treasury bill	899,678	899,678	Nov 14, 2013
U.S. Treasury bill	<u>499,823</u>	<u>499,823</u>	Dec 05, 2013
Total	<u>\$18,192,605</u>	<u>\$18,192,605</u>	

Franklin US Government

SECS A Mutual Fund	\$65,759	\$65,759	None
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Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(2) CASH AND POOLED INVESTMENTS - CONTINUED

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,064,513 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk - The City's investment in the Iowa Public Agency Investment Trust is unrated. The City's investment in U.S. Treasury bills is rated AA+ by Standard & Poor and Aaa by Moody's Investors Service.

(3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

	Balance June 30, 2012	Issued	Redeemed	Balance June 30, 2013
General obligations bonds	\$36,240,000	\$8,530,000	\$7,605,000	\$37,165,000
Revenue bonds	65,185,000	-	5,065,000	60,120,000
Fire Truck capital lease	288,878	-	67,747	221,131
Total	<u>\$101,713,878</u>	<u>\$8,530,000</u>	<u>\$12,737,747</u>	<u>\$97,506,131</u>

Interest rates range from .35% to 6.50% on the general obligation bonds. The revenue bond interest rates are from 2.00% to 6.375. The City paid \$5,037,703 interest on debt obligations for the year ended June 30, 2013.

Debt service requirements for general obligation bonds and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 7,040,000	\$2,016,957	\$ 1,200,000	\$ 3,658,838	\$ 8,240,000	\$ 5,675,795
2015	3,185,000	1,015,174	1,205,000	3,629,338	4,390,000	4,644,512
2016	3,275,000	936,241	1,200,000	3,372,573	4,475,000	4,308,814
2017	3,385,000	851,527	1,220,000	3,315,323	4,605,000	4,166,850
2018	3,960,000	755,813	700,000	3,258,833	4,660,000	4,014,646
2019-2023	10,605,000	2,406,115	3,580,000	15,976,845	14,185,000	18,382,960
2024-2028	4,840,000	945,253	8,425,000	14,654,575	13,265,000	15,599,828
2029-2033	875,000	45,125	5,990,000	11,979,563	6,865,000	12,024,688
2034-2038	-	-	6,860,000	9,333,600	6,860,000	9,333,600
2039-2043	-	-	29,740,000	2,148,000	29,740,000	2,148,000
	<u>\$37,165,000</u>	<u>\$8,972,205</u>	<u>\$60,120,000</u>	<u>\$71,327,488</u>	<u>\$97,285,000</u>	<u>\$80,299,693</u>

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the fund.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(3) BONDS AND NOTES PAYABLE - CONTINUED

- B. The City covenants to establish and maintain a Water Revenue Bond Sinking Fund in an amount equal to the maximum principal and interest coming due on all outstanding parity bonds in any succeeding fiscal year.
- C. The City covenants to establish a Water Revenue Debt Service Reserve Fund in an amount equal to the maximum principal and interest due on any one year. The amount required to be reserved is approximately \$373,733 at June 30, 2013. The actual amount reserved was \$986,400. This will be reduced in 2014 as investments mature.
- D. The City covenants to maintain a Water Revenue Bond Improvement Fund with an initial deposit of \$40,000. Additional funds of not less than \$750 each month will be deposited until the Fund equals or exceeds \$50,000. This account is restricted solely for the use of paying principal or interest on the Water Revenue Bonds when there is insufficient money in the Sinking Fund or Reserve Fund, and to the extent not required for the foregoing, to pay for extraordinary costs not included in the annual budget.

The resolutions providing for the issuance of the Series 2008 Annual Appropriation Urban Renewal Tax Increment Revenue Bonds include the following provisions. If appropriated by the City, TIF revenues in the Urban Renewal Tax Revenue Fund shall be transferred for deposit in the Bond Fund and the Reserve Fund.

- A. Any funds deposited in the Bond Fund (when appropriated by the City Council) shall be used solely and only and are pledged to pay the principal and interest on the Series 2008 Bonds when due, whether at maturity or an optional or mandatory redemption.
- B. Reserve Fund. The Resolution establishes a separate and special fund known as the Principal and Interest Reserve Fund (the "Reserve Fund"). There shall be deposited into the Reserve Fund on the date of delivery of the Series 2008 Bonds an amount which, together with the existing balance in the Reserve Fund, will be equal to the lesser of (i) the maximum amount of principal of and interest on the Series 2008 Bonds due during any fiscal year, (ii) 125% of the average annual debt service on the Series 2008 Bonds (calculated on a fiscal year basis), or (iii) 10% of the original principal amount of the Series 2008 Bonds (the "Required Reserve Fund Balance"). Subject to the City's right of nonappropriation, the City shall maintain the Reserve Fund in an amount equal to the Required Reserve Fund Balance. Any funds on deposit in the Reserve Fund shall be used solely and only and are pledged to pay principal of or interest on the Series 2008 Bonds when due (in the case of the Series 2008 Bonds, to the extent that the City has appropriated amounts for such payments) whenever there is a shortage of amounts on deposit in the Urban Renewal Revenue Fund and, in the case of the Series 2008 Bonds, the Bond Fund for such purpose. The Reserve Fund shall be valued annually by the City on October 31. If a shortage occurs in the amount on deposit in the Reserve Fund, either because of a transfer there from or a valuation thereof, subject to the City's right of nonappropriation the amount on deposit in the Reserve Fund shall be restored to the Required Reserve Fund Balance as soon as possible from amounts appropriated therefore by the City. Balance in the reserve fund at June 30, 2013 was \$4,418,167.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(3) BONDS AND NOTES PAYABLE - CONTINUED

The Sewer Revenue Bonds, Series 2011B, covenants to establish and maintain a principal and interest reserve fund (the "Reserve Fund") in a sum equal to the lesser of: 1) the maximum amount of principal and interest becoming due on the Bonds in any succeeding fiscal year, 2) 125% of the average amount of principal and interest becoming due on the Bonds in any succeeding fiscal year; or 3) 10% of the principal amount of the Bonds. Upon the issuance of the Bonds, the City will deposit \$136,600, using cash on hand, to fully fund the Reserve Fund requirement at \$136,600, which represents the maximum amount of principal and interest becoming due on the Bonds. Balance in the reserve account at June 30, 2013 was \$549,001.

Crossover Refunding

On January 22, 2013, the City issued \$3,945,000 in general obligation refunding bonds, series 2013B at a 2% interest rate. The City issued the bonds for a crossover refunding on June 1, 2014, \$3,925,000 of the outstanding general obligation urban renewal corporate purpose bonds, series 2006B dated June 1, 2006. Proceeds of the bonds were applied toward the expense of the refunding and to establish an escrow account to provide for future debt service at their callable dates. This results in an economic gain (difference between the present values of these debt service payments on the old and new debt) of approximately \$430,000.

Prairie Meadows Agreement

The City has entered into a grant agreement with Prairie Meadows Racetrack and Casino, Inc. (PMRC). Under the agreement PMRC agrees to make a series of eight annual \$500,000 grants to the City. The grant funds are to be used to assist the City in payment of principal and interest on the Series 2008 Urban Renewal Tax Increment Revenue Bonds. PMRC also will consider annually making additional supplemental grants not to exceed \$500,000. The agreement calls for a termination of the grant payments if PMRC constructs a new hotel facility with certain taxable property valuations within the eight year agreement period. The City received \$1,000,000 under the agreement during the year ended June 30, 2013.

Development Rebate Agreements

The City has entered into a number of Tax Increment Financing (TIF) rebate agreements requiring repayment to the developers from TIF receipts. The rebate service requirements, if appropriated by the City, are as follows:

Year ending June 30	
2013	\$ 1,839,229
2014	1,845,964
2015	1,866,186
2016	1,196,257
2017	911,321
2018-2022	3,595,321
2023-2024	1,010,865
	<u>\$ 12,265,143</u>

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(3) BONDS AND NOTES PAYABLE - CONTINUED

Capital Lease

A capital lease with Republic First National Corporation for the purchase of a fire truck was taken out for \$360,695 on December 30, 2010 with annual payments of \$80,105 at a 4.3% interest rate. The lease will mature on April 1, 2016. At June 30, 2013, the present value of future minimum capital lease payments are as follows:

	<u>June 30</u>	
	2014	\$ 80,105
	2015	80,105
	2016	<u>80,105</u>
Total minimum lease payments		240,315
Less amounts representing interest		<u>19,184</u>
Present value of net minimum capital lease payments		<u>\$ 221,131</u>

(4) JOINT VENTURE AND COMMITMENTS

The City is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement establishes the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides a framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocations are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

As part of the Agreement, the WRA issued debt to advance refund the sewer revenue refunding bonds Series 1997C and 2002D and the state revolving loans SRF2 and SRF3 of the City of Des Moines. In addition, state revolving loans SRF4, SRF6 and SRF7 were reassigned from the City of Des Moines to the WRA.

The City of Altoona retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through the annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2004A, 2004B, 2006 and the 2008 and 2009 State Revolving Loan Funds include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(4) JOINT VENTURE AND COMMITMENTS - CONTINUED

The WRA Sewer Revenue Bonds Series 2004B 2013 and 2006 bonds were issued for capital expansion. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2013, the Series 2004B 2013 bonds had a balance of \$56,420,000 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$3,312,810, or 5.87%. As of June 30, 2013, the Series 2006 bonds had a balance of \$34,145,000 and the City of Altoona's estimated future allocation based on the WRA Flows is currently \$2,113,453 or 6.19%. The State Revolving Loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2013 the state revolving loans had a balance of \$219,873,118 and the City of Altoona's estimated future allocation based on the WRA flows is currently \$12,385,790 or 5.63%. The pre 2004 state revolving loans are to be paid by the participating communities based on the existing allocations under the prior I.C.A. agreement. As of June 30, 2013 the WRA had \$4,850,000 in outstanding pre 2004 State Revolving Loans, of which \$-0- of future principal debt service is a commitment of the City of Altoona.

The WRA Agreement does not provide for the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. Pursuant to the new agreement, the City's investment in the joint venture under the I.C.A. Agreement has been contributed to the new WRA organization. The City retains a reversionary interest percentage in the net assets of the WRA redeemable only in the event the WRA is dissolved. During the year ended June 30, 2013, the City paid the WRA \$1,476,442 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

(5) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$488,200, \$444,174, and \$402,430, respectively, equal to the required contributions for each year.

(6) OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 75 active and 4 retired members in the plan.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(6) OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$606 for single coverage and \$1,516 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$804,507 and plan members eligible for benefits contributed \$86,304 to the plan.

Early Retirement Program - Beginning in 2011 the City offered an early retirement opportunity to certain employees. The early retirement opportunity was to last 1 year, however, the City Council extended it two times to end June 30, 2013. There have been no subsequent extensions beyond that time. The early retiree is eligible to have the City pay for their health insurance for five years or until the retiree is eligible for medicare whichever occurs first.

To be eligible for this program the employee must be eligible to draw their IPERS funds. In addition to that the employee must submit a written application for early retirement acknowledging that the employee voluntarily left employment and agrees to waive all rights to file suit against the City. Four employees were offered single medical insurance paid by the City if they retire by June 30, 2013. Total paid for this insurance in the year ending June 30, 2013 was \$29,111.

(7) SEVERANCE AGREEMENT

Effective July 1, 2012, the City entered into a 2 year agreement with the City Administrator which formally identifies the financial obligation of the City to its City Administrator in the event of an involuntary employment termination. The agreement provides for a termination payment equal to six months of compensation plus paid health (single and family) insurance for the same period, as well as payment for all accrued but unused vacation and sick time at termination.

(8) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned vacation and sick leave termination payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 376,928
Sick leave	958,386
Total	<u>\$1,335,314</u>

This liability has been computed based on rates of pay as of June 30, 2013.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(9) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General Fund	Enterprise:	
	Water Fund	291,131
	Sewer Fund	436,697
	Special Revenue:	
	Drug Enforcement Agency	17,598
Debt Service Fund	Special Revenue:	
	Tax Increment Financing	12,405,686
Enterprise:		
Water	Tax Increment Financing	227,912
Equipment Replacement	General Fund	225,000
	Enterprise:	
	Sewer	35,000
Total		<u>\$13,639,024</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(10) RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(10) RISK MANAGEMENT- CONTINUED

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$178,967.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation in the amount of \$1,000,000. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. These funds are held in trust for participating employees by a third party investor.

CITY OF ALTOONA

Notes to Financial Statements - Continued

June 30, 2013

(12) CONSTRUCTION CONTRACTS

At June 30, 2013, the City had entered into construction contracts of approximately \$1,767,160 for various projects. At June 30, 2013 these projects will require future payments of approximately \$599,290 upon completion.

(13) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit D. Cash balances at end of year are summarized as follows:

					Storm		
	Water	Sewer	Deposits	Garbage	Water	Recycling	Total
General operation	\$4,216,967	\$5,864,719	\$103,468	\$154,293	\$233,905	\$45,558	\$10,618,910
Sinking fund	99,764	5,948	-	-	-	-	105,712
Revenue reserve fund	966,400	549,001	-	-	-	-	1,515,401
	<u>\$5,283,131</u>	<u>\$6,419,668</u>	<u>\$103,468</u>	<u>\$154,293</u>	<u>\$233,905</u>	<u>\$45,558</u>	<u>\$12,240,023</u>

(14) LEGAL

The City may be subject to legal proceedings and claims in the ordinary course of business. In the opinion of the City and its legal counsel, the ultimate outcome of the claims and litigation, if any, will not have a material adverse effect on the City's financial position.

(15) SUBSEQUENT EVENTS

The City has evaluated all subsequent events through October 24, 2013, the date the financial statements were available to be issued.

Other Information

CITY OF ALTOONA

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to Be Budgeted	Total
Receipts:				
Property tax	\$ 5,248,224	\$ -	\$ -	\$ 5,248,224
Tax increment financing collections	8,875,295	-	-	8,875,295
Other City tax	830,445	-	-	830,445
Licenses and permits	635,189	-	-	635,189
Uses of money and property	65,057	6,925	-	71,982
Intergovernmental	2,791,998	-	-	2,791,998
Charges for service	486,247	8,898,377	-	9,384,624
Miscellaneous	1,335,319	83,180	-	1,418,499
Total receipts	20,267,774	8,988,482	-	29,256,256
Disbursements:				
Public safety	4,732,028	98,564	98,564	4,732,028
Public works	1,411,217	201,341	201,341	1,411,217
Health and social services	1,214	-	-	1,214
Culture and recreation	1,995,654	-	-	1,995,654
Community and economic development	4,429,525	-	-	4,429,525
General government	1,120,407	35,102	35,102	1,120,407
Debt service	12,703,506	-	-	12,703,506
Capital projects	582,340	-	-	582,340
Business type activities	-	9,802,247	32,546	9,769,701
Total disbursements	26,975,891	10,137,254	367,553	36,745,592
Excess (deficiency) of receipts over (under) disbursements	(6,708,117)	(1,148,772)	(367,553)	(7,489,336)
Other financing sources (uses), net	9,228,303	(274,916)	260,000	8,693,387
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources (uses)	2,520,186	(1,423,688)	(107,553)	1,204,051
Balances beginning of year	15,118,111	13,676,685	120,527	28,674,269
Balances end of year	\$17,638,297	\$12,252,997	\$ 12,974	\$29,878,320

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 4,805,491	\$ 4,865,491	\$ 382,733
8,963,129	8,963,129	(87,834)
706,250	841,250	(10,805)
291,000	338,000	297,189
94,167	94,167	(22,185)
2,149,724	2,799,724	(7,726)
8,864,683	9,264,683	119,941
1,067,000	1,146,000	272,499
26,941,444	28,312,444	943,812
4,628,483	4,740,383	8,355
1,456,023	1,493,523	82,306
2,000	2,000	786
1,800,717	1,995,717	63
3,865,865	4,450,865	21,340
1,053,221	1,126,221	5,814
8,044,247	13,004,247	300,741
520,138	820,138	237,798
8,569,958	12,758,958	2,989,257
29,940,652	40,392,052	3,646,460
(2,999,208)	(12,079,608)	4,590,272
-	9,150,000	456,613
(2,999,208)	(2,929,608)	4,133,659
25,034,424	25,034,424	3,639,845
\$ 22,035,216	\$ 22,104,816	\$ 7,773,504

CITY OF ALTOONA

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. During the year, a budget amendment increased budgeted disbursements by \$10,451,400. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, no disbursements exceeded the amounts budgeted.

Supplementary Information

CITY OF ALTOONA

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue		Capital Projects	
	Employee Benefits	Drug Enforcement Agency	Rail Spur	NE Rise Project
Receipts:				
Property tax	\$342,811	\$ -	\$ -	\$ -
Use of money and property:				
Interest on investments	-	-	-	-
Intergovernmental	-	28,804	-	-
Miscellaneous	-	1,470	114,660	-
Total receipts	342,811	30,274	114,660	-
Disbursements:				
Operating:				
Public safety	110,070	38,986	-	-
Culture and recreation	100,000	-	-	-
Community and economic development	116,464	-	-	-
General government	16,277	-	-	-
Total disbursements	342,811	38,986	-	-
Excess (deficiency) of receipts over (under) disbursements	-	(8,712)	114,660	-
Other financing sources (uses):				
Operating transfers out	-	(17,598)	-	-
Total other financing sources (uses)	-	(17,598)	-	-
Net change in cash balances	-	(26,310)	114,660	-
Cash balances beginning of year	-	100,811	-	19,127
Cash balances end of year	\$ -	\$74,501	\$114,660	\$19,127
Cash Basis Fund Balances				
Restricted for:				
Other purposes	\$ -	\$74,501	\$114,660	\$ -
Capital project funds	-	-	-	19,127
Total cash basis fund balances	\$ -	\$74,501	\$114,660	\$19,127

See accompanying independent auditor's reports.

Water	Total
\$ -	\$ 342,811
-	-
-	28,804
-	116,130
-	487,745
-	149,056
-	100,000
-	116,464
-	16,277
-	381,797
-	105,948
-	(17,598)
3,450	(17,598)
-	88,350
5,972	125,910
\$ 5,972	\$ 214,260
\$ -	\$ 189,161
5,972	25,099
\$ 5,972	\$ 214,260

CITY OF ALTOONA

Schedule of Indebtedness

Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Refunding notes, Series 2005	Feb 15, 2005	N/A	2,715,000
Urban renewal/corporate purpose Series 2005B	Dec 15, 2005	N/A	6,265,000
Urban renewal/corporate purpose Series 2006B	Jun 1, 2006	4.25	7,145,000
Urban renewal/corporate purpose Series 2007A	May 1, 2007	3.625	5,600,000
Urban renewal/corporate purpose Series 2007B	Oct 1, 2007	3.65	2,355,000
Urban renewal/corporate purpose taxable Series 2009A (BAB)	Jun 9, 2009	3.80 - 6.50	5,295,000
Urban renewal/corporate purpose Series 2009D	Aug 17, 2009	2.50 - 4.50	5,400,000
Urban renewal/refunding:			
Series 2010A	Mar 11, 2010	2.00 - 3.00	4,335,000
Series 2010B	Jul 12, 2010	3.00 - 4.00	3,565,000
Corporate purpose Series 2011A	Jul 5, 2011	0.80 - 2.60	1,035,000
Refunding bonds, Series 2012A	Apr 16, 2012	.45 - 2.00	2,425,000
Refunding bonds, Series 2013A	Jan 22, 2013	2.00	4,585,000
Refunding bonds, Series 2013B	Mar 5, 2013	2.00	3,945,000
Revenue Bonds:			
Water Series 2004B	Sept 1, 2004	N/A	4,280,000
Water refunding Series 2008	Apr 28, 2008	N/A	1,660,000
Water taxable Series 2009C (BAB)	Jun 17, 2009	4.00 - 6.375	3,750,000
Urban renewal tax Increment Series 2008	Jul 1, 2008	5.00 - 6.00	56,470,000
Sewer Series 2011B	Jul 5, 2011	2.25 - 3.40	1,500,000
Total			
Capital Lease:			
Fire Truck	Dec 30, 2010	4.30	360,695

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 1,180,000	\$ -	\$ 1,180,000	\$ -	\$ 41,930
4,290,000	-	4,290,000	-	162,430
4,840,000	-	450,000	4,390,000	206,138
4,110,000	-	335,000	3,775,000	156,240
1,880,000	-	135,000	1,745,000	71,985
5,095,000	-	100,000	4,995,000	280,650
5,100,000	-	100,000	5,000,000	192,678
3,495,000	-	450,000	3,045,000	82,978
2,890,000	-	290,000	2,600,000	98,157
935,000	-	100,000	835,000	15,640
2,425,000	-	175,000	2,250,000	32,229
-	4,585,000	-	4,585,000	-
-	3,945,000	-	3,945,000	-
36,240,000	8,530,000	7,605,000	37,165,000	1,341,055
3,300,000	-	3,300,000	-	143,210
1,065,000	-	1,065,000	-	37,550
3,450,000	-	100,000	3,350,000	196,788
55,970,000	-	500,000	55,470,000	3,282,500
1,400,000	-	100,000	1,300,000	36,600
65,185,000	-	5,065,000	60,120,000	3,696,648
\$101,425,000	\$8,530,000	\$12,670,000	\$97,285,000	\$5,037,703
\$288,878	\$ -	\$67,747	\$221,131	\$12,358

CITY OF ALTOONA

Bond Maturities

June 30, 2013

Year Ending June 30,	Urban Renewal Corporate Purpose Series 2006B		Urban Renewal Corporate Purpose Series 2007A		Urban Renewal Corporate Purpose Series 2007B	
	Issued June 1, 2006		Issued May 1, 2007		Issued October 1, 2007	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2014	4.25%	\$ 4,390,000	3.625%	\$ 350,000	3.65%	\$ 140,000
2015	-	-	3.70	365,000	3.70	145,000
2016	-	-	3.75	380,000	3.70	155,000
2017	-	-	3.80	400,000	3.75	160,000
2018	-	-	3.80	415,000	3.80	170,000
2019	-	-	3.85	435,000	3.85	175,000
2020	-	-	3.90	455,000	3.90	185,000
2021	-	-	3.90	475,000	3.95	195,000
2022	-	-	3.95	500,000	4.00	205,000
2023	-	-	-	-	4.00	215,000
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
Total		<u>\$ 4,390,000</u>		<u>\$ 3,775,000</u>		<u>\$ 1,745,000</u>

See accompanying independent auditor's report.

General Obligation Bonds

Urban Renewal Corporate Purpose Series 2009A Issued June 9, 2009		Urban Renewal Corporate Purpose Series 2009D Issued August 17, 2009		Urban Renewal Refunding Series 2010A Issued March 11, 2010	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.80%	\$ 240,000	2.50%	\$ 230,000	2.00%	\$ 465,000
4.20	245,000	2.50	235,000	2.00	485,000
4.60	255,000	2.75	250,000	2.20	495,000
5.00	560,000	3.00	260,000	2.50	515,000
5.00	780,000	3.20	275,000	2.75	535,000
5.35	100,000	3.40	100,000	3.00	550,000
5.60	100,000	3.60	100,000	-	-
5.80	100,000	3.75	300,000	-	-
5.90	325,000	3.90	320,000	-	-
6.00	340,000	4.00	340,000	-	-
6.10	355,000	4.05	365,000	-	-
6.20	370,000	4.10	390,000	-	-
6.30	390,000	4.20	415,000	-	-
6.40	405,000	4.30	440,000	-	-
6.50	430,000	4.40	475,000	-	-
-	-	4.50	505,000	-	-
-	-	-	-	-	-
	<u>\$ 4,995,000</u>		<u>\$ 5,000,000</u>		<u>\$ 3,045,000</u>

CITY OF ALTOONA

Bond Maturities - Continued

June 30, 2013

Year Ending June 30,	General Obligation Bonds					
	Urban Renewal		Corporate Purpose		Refunding	
	Corporate Purpose		Corporate Purpose		Bonds	
	Series 2010B		Series 2011A		Series 2012	
	Issued July 12, 2010		Issued July 5, 2011		Issued April 16, 2012	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2014	3.000%	\$ 100,000	.80%	\$ 100,000	.45%	\$ 190,000
2015	3.000	100,000	1.10	100,000	.60	200,000
2016	3.000	105,000	1.40	100,000	.75	205,000
2017	3.000	105,000	1.70	100,000	.90	210,000
2018	3.000	360,000	2.00	105,000	1.10	220,000
2019	3.000	125,000	2.20	105,000	1.30	225,000
2020	3.125	125,000	2.40	110,000	1.50	235,000
2021	3.250	130,000	2.60	115,000	1.60	245,000
2022	3.375	135,000	-	-	1.75	255,000
2023	3.500	140,000	-	-	2.00	265,000
2024	3.625	150,000	-	-	-	-
2025	3.750	155,000	-	-	-	-
2026	3.750	160,000	-	-	-	-
2027	3.750	165,000	-	-	-	-
2028	3.875	175,000	-	-	-	-
2029	4.000	180,000	-	-	-	-
2030	4.000	190,000	-	-	-	-
Total		<u>\$ 2,600,000</u>		<u>\$ 835,000</u>		<u>\$2,250,000</u>

See accompanying independent auditor's report.

Refunding Bonds Series 2013A		Refunding Bonds Series 2013B		
Issued January 22, 2013		Issued March 5, 2013		
Interest Rates	Amount	Interest Rates	Amount	Total
2.00%	\$ 765,000	2.00%	\$ 70,000	\$ 7,040,000
2.00	790,000	2.00	520,000	3,185,000
2.00	800,000	2.00	530,000	3,285,000
2.00	535,000	2.00	540,000	3,385,000
2.00	550,000	2.00	550,000	3,960,000
2.00	565,000	2.00	565,000	2,945,000
2.00	580,000	2.00	580,000	2,470,000
-	-	2.00	590,000	2,150,000
-	-	-	-	1,740,000
-	-	-	-	1,300,000
-	-	-	-	870,000
-	-	-	-	915,000
-	-	-	-	965,000
-	-	-	-	1,010,000
-	-	-	-	1,080,000
-	-	-	-	685,000
-	-	-	-	190,000
	<u>\$4,585,000</u>		<u>\$3,945,000</u>	<u>\$37,165,000</u>

CITY OF ALTOONA

Bond Maturities - Continued

June 30, 2013

Year Ending June 30,	Revenue Bonds			
	Water		Urban Renewal	
	Series 2009C		TIF Series 2008	
	Issued June 17, 2009		Issued July 1, 2008	
	Interest Rates	Amount	Interest Rates	Amount
2014	4.00%	\$100,000	5.00%	\$ 1,000,000
2015	4.30	105,000	5.00	1,000,000
2016	5.00	100,000	5.00	1,000,000
2017	5.20	120,000	5.00	1,000,000
2018	5.375	200,000	5.00	400,000
2019	5.50	205,000	-	-
2020	5.50	210,000	-	-
2021	5.70	215,000	-	-
2022	5.80	220,000	-	-
2023	5.90	230,000	5.625	2,000,000
2024	6.00	240,000	-	-
2025	6.00	255,000	5.75	2,000,000
2026	6.10	265,000	-	-
2027	6.20	280,000	-	-
2028	6.30	295,000	6.00	4,790,000
2029	6.375	310,000	-	-
2030	-	-	-	-
2031	-	-	5.75	5,680,000
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	6.00	6,860,000
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	6.00	14,590,000
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	6.00	15,150,000
Total		<u>\$ 3,350,000</u>		<u>\$55,470,000</u>

See accompanying independent auditor's report.

Sewer		
Series 2011B		
Issued July 5, 2011		
Interest Rate	Amount	Total
2.25%	\$ 100,000	\$1,200,000
2.25	100,000	1,205,000
2.25	100,000	1,200,000
2.25	100,000	1,220,000
2.25	100,000	700,000
2.30	100,000	305,000
2.55	100,000	310,000
2.75	100,000	315,000
2.95	100,000	320,000
3.00	100,000	2,330,000
3.10	100,000	340,000
3.30	100,000	2,355,000
3.40	100,000	365,000
-	-	280,000
-	-	5,085,000
-	-	310,000
-	-	-
-	-	5,680,000
-	-	-
-	-	-
-	-	6,860,000
-	-	-
-	-	-
-	-	-
-	-	-
-	-	14,590,000
-	-	-
-	-	-
-	-	-
-	-	15,150,000
	<u>\$1,300,000</u>	<u>\$60,120,000</u>

CITY OF ALTOONA

Schedule of Receipts/Proceeds by Source and Disbursements by Function - All Governmental and Proprietary Funds

For the Last Ten Years

	Years ended June 30,				
	2013	2012	2011	2010	2009
Receipts:					
Property tax	\$ 5,248,224	\$ 5,021,741	\$ 4,355,302	\$ 3,950,148	\$ 3,778,173
Other city tax:					
Hotel/motel	830,445	585,395	542,119	565,666	563,372
Total property and other city tax	6,078,669	5,607,136	4,897,421	4,515,814	4,341,545
Lottery	923,502	914,254	913,797	879,556	914,162
Tax increment financing collections	8,875,295	9,851,865	9,444,161	8,765,067	8,001,868
Licenses and permits	635,189	614,849	539,268	308,323	246,052
Use of money and property	71,982	61,118	97,370	199,772	730,201
Intergovernmental:					
Road use tax	1,392,532	1,377,054	1,314,053	1,233,824	1,103,581
Library	59,588	77,791	82,788	88,060	96,104
State allocation	30,619	20,202	33,962	35,068	34,696
Grants	1,018,998	1,521,166	593,735	2,599,528	1,352,882
Bank franchise tax	-	-	-	-	-
Drug enforcement	28,804	13,286	30,015	67,680	347,311
Miscellaneous	261,457	52,636	61,783	21,414	31,608
Total intergovernmental	2,791,998	3,062,135	2,116,336	4,045,574	2,966,182
Charges for service	9,384,624	9,250,022	8,486,032	7,724,047	7,376,049
Special assessments	-	-	-	3,341	3,043
Bond proceeds	8,953,387	4,934,650	3,567,357	9,676,353	67,260,000
Miscellaneous	164,905	365,111	549,408	316,346	481,284
Total	<u>\$37,879,551</u>	<u>\$34,661,140</u>	<u>\$30,611,150</u>	<u>\$36,434,193</u>	<u>\$92,071,291</u>
Disbursements:					
Operating:					
Public safety	\$ 4,830,592	\$ 5,578,639	\$ 4,817,835	\$ 4,699,350	\$ 4,263,900
Public works	1,612,558	1,626,628	1,353,006	1,467,668	1,336,974
Health and social services	1,214	22,848	23,232	18,299	9,325
Culture and recreation	2,030,756	1,479,311	1,499,883	1,801,913	1,989,840
Community and economic development	4,429,525	3,510,266	2,618,273	2,603,576	3,649,078
General government	1,120,407	1,021,974	840,368	873,812	737,102
Debt service	12,403,506	11,020,620	8,399,930	14,246,153	7,530,701
Capital projects	582,340	1,229,016	3,387,919	13,491,454	44,474,141
Business type activities	9,772,155	7,862,321	5,475,995	7,855,645	5,120,349
Total	<u>\$36,783,053</u>	<u>\$33,351,623</u>	<u>\$28,416,441</u>	<u>\$47,057,870</u>	<u>\$69,111,410</u>

See accompanying independent auditor's report.

Schedule 4

2008	2007	2006	2005	2004
\$ 3,601,632	\$ 3,325,891	\$ 3,120,958	\$ 2,997,641	\$ 2,865,547
599,010	490,300	503,295	526,819	484,003
4,200,642	3,816,191	3,624,253	3,524,460	3,349,550
958,685	939,293	874,863	883,267	-
6,254,969	5,997,960	4,668,981	3,822,352	3,438,325
318,778	452,064	628,498	618,660	601,370
575,786	281,569	315,202	147,827	65,037
1,139,532	1,108,570	988,327	860,477	861,943
83,362	133,823	126,913	129,285	134,060
69,005	36,713	30,178	17,555	15,198
-	39,873	31,540	602	537,972
-	-	-	2,262	15,198
106,988	50,841	81,328	41,415	164,451
35,655	444	5,960	10,393	20,803
1,434,542	1,370,264	1,264,246	1,061,989	1,749,625
6,859,821	6,830,501	6,145,117	5,647,020	5,351,291
3,230	7,468	5,965	6,321	-
4,015,000	5,600,000	15,610,000	9,975,000	4,895,000
293,559	101,727	231,101	548,622	858,320
\$24,915,012	\$25,397,037	\$33,368,226	\$26,235,518	\$20,308,518
\$ 4,193,948	\$ 3,679,699	\$ 3,218,701	\$ 2,723,329	\$ 2,467,932
1,194,285	1,308,267	1,140,280	950,001	1,072,167
-	-	-	-	-
2,594,010	1,721,752	1,766,112	1,589,834	2,389,236
6,841,063	1,972,798	1,833,179	1,686,510	1,208,469
731,258	671,264	716,705	249,959	344,160
4,156,070	3,290,010	4,810,661	2,385,084	2,552,061
6,450,292	9,460,450	4,406,379	6,418,797	531,572
7,279,771	5,880,121	7,002,715	5,289,755	7,507,277
\$33,440,697	\$27,984,361	\$24,894,732	\$21,293,269	\$18,072,874

City of Altoona



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Altoona, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 24, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Altoona's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Altoona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Altoona's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Altoona's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-13, to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-B-13 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Altoona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted an instance of non-compliance that is described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Altoona's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Altoona's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Altoona and other parties to whom the City of Altoona may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Altoona during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens + Company, CPA, LLP

West Des Moines, Iowa
October 24, 2013

CITY OF ALTOONA

Schedule of Findings

Year ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF ALTOONA

Schedule of Findings - Continued

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

- II-A-13 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will consider this.

Conclusion - Response acknowledged.

- II-B-13 Computer System Control - The design and controls established over the computer system process is very important in providing assurance and financial integrity of the City's financial records. We noted some weaknesses in the policies and controls.

Recommendation - A non-water fire suppression system should be installed. There should be a written procedures plan.

Response - We will consider these recommendations.

Conclusion - Response acknowledged. Once established, the recommended policies and procedures will add a measure of assurance to the City's financial records.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF ALTOONA

Schedule of Findings - Continued

Year ended June 30, 2013

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-13 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-B-13 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-13 Business Transactions - There were no business transactions noted between the City and City officials or employees.
- III-D-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-E-13 City Council Minutes - No transactions were found that we believe should have been approved in the Council Minutes but were not.

Although minutes of City Council proceedings were published, they were not all published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa.

Response - We will publish minutes as required.

- III-F-13 Revenue Bonds - No instances of non-compliance with the Revenue Bond and Note Resolutions were noted.
- III-G-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-13 Certified Budget - Disbursements during the year ended June 30, 2013 did not exceed the certified budget.
- III-I-13 Urban Renewal Annual Report - The urban renewal annual report was approved at the November 19, 2012 City Council meeting and submitted in PDF format to the Iowa Department of Management on November 20, 2012 and no exceptions were noted.